PHILIP MORRIS U.S.A. INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, N.Y. 10017

TO: Ms. Joann Cunningham DATE: June 8, 1984

FROM: Deborah Mancuso

SUBJECT: FREIGHT POLICY

This is an update on the new freight payment policy.

On the average, about 100 invoices are processed each month for purchase order freight totalling $55,000. Here are some statistics:

Outdoor Advertising	35 Invoices	$32,000 (58%)
Other:	65 Invoices	$23,000 (42%)
° Marketing	62 (95%)	$22,930 (99.7%)
° G & A	3 (5%)	$70 (0.3%)

95% of "Other" are shipped to Carlstadt with the remaining 5% to NYO.

Accounts Payable - Richmond uses ship to and from information on the freight bills to determine account codes. For example, all P.O.S. Freight is coded simply because it's shipped from Carlstadt. From my discussions with Joann Strother (A/P - Richmond), I realized it'll be best to simplify the accounting methodology.

Freight will be paid on the following:

° Outdoor Advertising Posters
° Marketing Items
° Capitalized Marketing Items
° G & A Items

Outdoor advertising posters are produced at a lithographer and shipped to a posting company. Freight is accrued for and paid to advertising accruals. A/P - Richmond will have difficulty knowing which account to charge since they are maintained by the purchase order year. Instead all freight will be charged to an isolated expense class within advertising. Any brand coding however will be lost in the process. A/P - Richmond will need listing of lithographers and posting companies used from Purchasing to accurately code freight bills.

All inbound freight to Carlstadt and the NYO should be charged to one account - Inbound Freight. This should be included in the P.O.S. Warehouse budget. The existing P.O.S. Freight account should continue to be charged with outbound freight and retitled - Outbound Freight. This would mean Marketing would be charged with G & A Freight of less than $1,000 each year. Overall, of course, this is immaterial.

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Inbound freight for capitalized items creates some problems. It is not possible to determine a capitalized item from the shipping invoice or bill of lading. Unless we involve the Carlstadt Warehouse and require copies of the labeled bill of lading be sent to A/P - Richmond, they will not be able to properly code these. Currently only two suppliers are involved here - Henschel Steinau Inc. and Transworld. The freight bills are all low in volume but high in dollars. There are several positions to consider:

- Fixed Assets - Richmond emphasizes the importance of capitalizing freight.
- Warehouse - They need tighter control over the freight companies which this new policy offers.
- Marketing Accounting - Our concerns lie with the proper coding of these charges.

One solution would be to continue the existing policy: Vendor pays freight carrier; A/P - New York pays vendor. I will be looking for feedback from those departments involved to decide how to handle this.

The procedure for paying sales office freight has been revised. Instead of the section office making payment, the freight bills will be submitted to Transportation - Richmond. A/P - Richmond will code and process then for payment; Field Office - Miscellaneous will be charged. This account requires section codes and A/P will need sales office listings from Marketing Administration.

DM:rvm

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